

## Memorandum

**To:** Union City Residents

**Date:** September 25, 2017

**Subject:** Union City Economic Indicator data and budget summary

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### Recommendation

Informational report.

### Background and discussion

#### Budget summary data from most recent 2-year budget FY 2017-2018 and 2018-2019

- General Fund (GF) revenues and expenditures are expected to increase 2.6% each; city is treading water; many cities including Fremont GF revenues growing faster than GF expenditures
- City shows a deficit in 6 funds including nearly \$12M in Internal Service Fund in FY 2017-2018 and a deficit in 3 funds in FY 2018-2019
- Capital project expenditures are a paltry \$1.4M in FY 2017/2018 and less than \$900K in 2018/2019 or 1% of total all funds in FY 2017/2018 and .008% in FY 2018/2019. This means the city's infrastructure will continue to deteriorate as there is virtually no capital investment going on (According to U.S. Census Bureau data the average % of capital expenditure in CA by local governments from 2005 - 2010 (great recession era) was 14.2%. UC is spending far less
- There are no cost of living increases in 2-year budget
- City is assuming \$1.33M in anticipated vacancies in FY 2017/2018 and \$1.88M in FY 2018/2019; key word assuming
- City revenues are going up **1.5%** and yet expenses are increasing **3.7%**; this is significant
- City using GF transfers to balance special revenue fund deficits
- **Economic development enterprise fund (EDEF) council policy adopted in prior budget to fund economic development business retention, expansion and attraction will get zero funds due to GF deficit; new policy means zero as there are no funds to do the work**

- Overall staffing down nearly 21 positions since FY 2016/2017 from 334 to 313. However, in FY 2017/2018 this includes reduction of 7 police officer positions from 59 to 52 and yet city asked voters for public safety tax in November 2017 to pay for police services
- There are many positions that may be outsourced or considered for elimination especially for city with the fiscal issues facing UC including: Assistant to the City Manager, Web Manager, Sr. Recreation Services Manager, Chief Building Official, Economic Development Manager, Communications & Marketing Manager, Engineer Civils (1, 2 and 3) or at least not as many positions in this class, Senior Planner, Associate Planner, Special Projects Coordinator, there are 9 Admin Assistants II and 3 Admin Assistants III (12 in total), Digital Marketing Specialist, Project Specialist, 4 Interns and more

## Economic Indicators

### Earnings

- Fremont is #1 on Median earnings and **it is not even close**. The median earnings of a Fremont resident are **\$34,076 higher than a Union City resident**
- Fremont is #1 on Mean earnings and again it is not even close. The mean earnings of a Fremont resident are \$32,510 higher than a Union City resident
- **Fremont residents: 52% earn over \$75K vs. 30% in UC**

### Educational Attainment

- Fremont has the highest % of high school graduates or higher and the highest percent of bachelor degree or higher vs. all other cities compared. Fremont
- Fremont nearly 53% have BA or Graduate Professional degrees vs. 25.1% in Hayward, vs. 28.8% in Newark and 35.45 in UC
- Less than 8% of high school graduates do not graduate with a HS diploma in Fremont, nearly 20% do not graduate in Hayward and 12% do not in Newark and Union City

### Employment

- UC unemployment rates (UR) less than state and county rates
- Fremont has the lowest UR of 4 cities compared

### Employment by Sector

- Fremont has 3.5X the # of manufacturing jobs vs. UC
- UC has 64% of Fremont's warehouse jobs even though Fremont's workforce is 3X UC

- UC warehouse jobs 2<sup>nd</sup> highest after Hayward
- 40% of Fremont jobs Professional, Scientific, Technical (these jobs pay more)
- 38% of UC jobs, Educational, Health Care, Social Services; Hayward very similar
- 37% of Newark jobs Manufacturing and Educational Services

### Housing units

- Newark has seen the highest % growth in units the last 3 years; however, Fremont has had the absolute highest number of units built
- Union City other than 2015 has had virtually no housing growth. This is a positive indicator as housing is general fiscal loser for cities

### Income (both Median Family and Median Household)

- Fremont Median Household Income (MHI) is vastly higher than the other communities compared; **it is not even close**
- Fremont households **make nearly \$20,000 more than comparable households in UC (MHI)**
- Fremont households **make nearly \$22,000 more than comparable households in UC (MFI)**
- Fremont income growth rates in MHI and MFI are nearly 4% over the last 3 years
- UC income growth rates in MHI are 4% and for **MFI less than 1% over the last 3 years**
- UC is 81% of Fremont MHI and MFI
- This is a reflection of the fact the primary job base in Fremont, unlike UC is Professional, Technical and Scientific and manufacturing jobs which pay higher wages

### Real Estate Commercial

- UC has the lowest amount of R&D space @4% of all 4 cities, next lowest city Hayward @ 8% has double the space located in UC
- Fremont nearly half the total built space is R&D @ 49%, notably warehouse is the lowest % of all 4 cities
- UC has the **highest amount of warehouse space @ 74%**, next lowest is Hayward @ 51%
- UC has a higher vacancy rate than the I-880 market total for the corridor

- UC industrial vacancy higher than corridor as is warehouse vacancy
- UC rents for R&D, industrial are much less than the -880 corridors except warehouse
- Fremont has highest market rents in the corridor

### Real Estate Residential

- Fremont by far has the highest median home price of the four cities compared @ nearly \$1M median. Fremont is 121% above the county median and 171% higher than the state
- UC has the 3<sup>rd</sup> highest median home prices of the 4 cities compared and the city is right in line with the Alameda County median as of June and 140% higher than the state median

### Sales tax rates

- Hayward and Union City sales tax rates are nearly 38% higher than the basic state rate
- Newark's rate is nearly 35% higher than the state rate
- The lowest rate of the 4 cities compared is Fremont

### School Achievement

- Fremont significantly outperforms all cities compared on ACT Scores, SAT Scores, Graduation rates and Students meeting UC/CSU requirements for entrance
- UC (New Haven) underperforms on ACT Scores, SAT Scores and UC/CSU students meeting entrance requirements when compared to Alameda County; the only metric where district outperforms the county is graduation rates
- UC ACT Scores and SAT Scores are significantly lower scoring than Fremont Unified

### SFD Home Prices

- As of June 2017, Fremont has the highest median SFD price @ \$993K; Fremont is 121% above the Alameda County median and 169% above the CA median. This is a reflection of Fremont's excellent school system. Schools are the #1 driver of home values
- Union City values by comparison are 94% of the county (e.g. less than the county) and 140% of CA reflecting Union City is in the Bay Area

## Fiscal impact

The City's current economic development strategy is not working. This is clear from the data. The City has a great deal of retail sales tax leaking to neighboring communities particularly Fremont. Also since the city has focused so much on warehouse development (data shows this), these are low wage and these facilities do not generate sales tax. This contrasts to Fremont which focused on R&D space and high paying job sectors. Fremont generates significantly more retail sales tax than Union City.

## Summary

Fremont is clearly the economic engine along the south I-880 corridor. **It is not even close.** This by the way does not happen by luck or happenstance. It happens because a community and their leadership figured out via general plan and zoning policies what business sectors produce revenues and which do not. Fremont has done a particularly good job in focusing on this and not settling for low wage, low revenue job sectors.

**Union City fares as follows as compared to its neighboring south I-880 corridor neighbors. Union City has:**

- Lower paying jobs (abundance of lower paying warehousing vs. scientific/technical/professional jobs)
- Median family income 81% of Fremont which is highest
- Least diverse economic base. City base focused on low paying warehousing jobs. Union City has one of the highest percentage of warehousing jobs of all cities on the I-880 corridor
- Union City schools ACT score over 21: 58% vs. highest city (Fremont @ 87%); UC SAT score over 1,500: 47% vs. Fremont 78%; UC grads qualifying for CSU/UC: 54% vs. 66% for Fremont
- Home values = to Alameda County median but lower than Fremont and Newark
- One of highest sales tax rates in CA
- Third lowest unemployment rate of the cities compared (e.g., Fremont, Hayward, Newark)

## Attachments

- datasheets